

**MARKET SEGMENTATION:
ORGANISATIONAL ARCHETYPES AND RESEARCH AGENDAS***

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Summary

The study of how organisations segment their markets has traditionally taken a prescriptive and analytical approach. More recently, a number of academics and practitioners have voiced concerns over the evident gap between how such concepts are viewed in theory and how they are applied in practice. These issues have already been raised in academic papers, but almost entirely at an abstract level. This paper introduces a more concrete aspect to the debate by proposing a series of organisational archetypes which illustrate how organisations may segment their markets in practice. These archetypes are developed from a series of mini-case studies which provide a basis for understanding how organisations may interface with the market at both an explicit and implicit level. The implications for both academic research and organisational practice are reviewed and discussed

Background

The activity of marketing and the concept of the market are inextricably linked. If an organisation is to enjoy any level of marketing success, this is through an ability to match its own capabilities to the requirements of the market place. Central to this matching process is the segmentation of the market. Wendell Smith [1] is widely cited as providing the basis for the concept of market segmentation as it is applied today. An overview of the literature on market segmentation underlines the view that markets, and their segments, are clusters of potential customers (*e.g.* Kotler, [2]; Tynan & Drayton, [3]). Wind [4] summarises market segmentation as a proactive process (managers purposefully identify segments) involving the application of analytic techniques to identify these segments:

"Realising the potential benefits of market segmentation requires both managerial acceptance of the concept and an empirical segmentation study before segmentation can begin."

The basic premise of market segmentation is that a heterogeneous group of customers can be grouped into homogenous clusters or segments, each requiring differing applications of the marketing mix to service their needs. The focus of research and discussion has therefore been concerned with the analytical approaches by which homogenous clusters can be established from a heterogeneous sample:

"The largest problem is how to subdivide the market."

Moriarty & Reibstein [5]

This emphasis on the analytic basis for segmentation has been widely applied to both consumer [6, 7, 8, 9] and industrial markets [10, 11, 12, 13, 14,15].

Theory versus Practice

However, this approach assumes segments to be objective, identifiable entities which are 'out there' available to all managers and organisations. In addition, there is the assumption that segmentation is a process which managers undertake explicitly to maximise their market effectiveness. These assumptions can be challenged on two levels. Firstly, such approaches to segmentation take no explicit account of organisational capabilities or structure, which is in contrast to studies concerning the business or market definition. At a strategic level, market definition and segmentation become more closely linked to the capabilities and nature of the organisation. Abell [16] uses three dimensions for defining and segmenting the markets in which an organisation operates: customer group; customer function; and technology. Day [17] identifies strategic definitions of markets as being concerned with competitive capability and resource transferability. If the broad market definition requires an understanding of the organisation's capabilities, then should this not also be reflected in the definition of market segments? Secondly, segmentation may also be viewed as a perspective, a way of seeing the

market space, as opposed to a proactive process requiring empirical analysis. In this regard organisations can be said to implicitly segment the market into various groups as a way of 'making sense' of their environment.

Conventional segmentation theory has, therefore, been founded on conceptual, rather than empirical evidence, based on how organisations *should* segment their markets, rather than considering how they actually construct homogeneity in the market place. Such frameworks are of undoubted value, but have been criticised for failing to consider the practical issues of how these concepts are implemented in practice within organisations [18]. One potential reason for the evident gap between theory and practice is the prescriptive and analytical approach taken in the literature. A counter-view is expressed by Knight [19] who, as a practising marketing consultant, considers that the market definition of many organisations is often a function of internal factors such as organisational culture and processes:

"The idea of markets should be a construct which enables us to simplify and therefore observe and predict consumer behaviour. The practice, however, too often reflects the company's internal issues and history."

Knight [19: pp.17]

In a wider sense these issues reflect the problem that, in practice, organisational theories are not implemented in ways which reflect the objective assumptions of the literature. In the context of strategic management, the rational planning approach for representing strategy has been challenged as a basis for understanding what actually happens in organisations [20, 21]. Such concerns have led to the adoption of research approaches which attempt to understand how the organisation and its managers implicitly make sense of their strategic environment [22]. Broadly termed interpretative research, these studies have found empirical evidence that managers are highly subjective in strategy formulation [23, 24] and in the way in which they interpret their external environments [25, 26, 27]. The relevance of such research to this issue is to suggest that market segments can be viewed, not only as explicit, objective entities, but also as implicit and subjective concepts which are as much a creation of the organisation as

they are of the external environment. This suggests that much of the research has taken a functionalist perspective [28]. The functional paradigm emphasises objectivity, regarding reality as a concrete structure which is 'discovered' by the researcher. The functionalist perspective is generally considered to be the dominant basis for undertaking management research. The issue raised suggests that a subjective and relative emphasis may also provide a contribution to understanding the segmentation process.

A number of researchers have attempted to gain further understanding of some of these issues. In a study of 190 businesses, Day & Nedungadi [29] found that managers held quite differing orientations as to how they perceived their competitive position. These were found to focus on customers, competitors, markets or internal factors. Jenkins *et al* [30] found that many managers defined and segmented their markets on the basis of internal products rather than external customer groupings. This study also revealed a high degree of variability in the subjective views of these managers.

Piercy and Morgan [31] provide a conceptual framework for viewing market segmentation which acknowledges the distinction between explicit and implicit aspects of the market. An explicit perspective refers to the traditional marketing theorists' view that markets are "out there" and are essentially groups of customers. The implicit perspective relates to the role of cognitions, culture, processes and structure in determining the organisation's view of the market. Whilst this framework has not been developed from empirical sources, it does provide an intuitive basis for understanding how markets may be defined and segmented in practice. A major contribution of Piercy and Morgan's [31] framework is to suggest that implicit aspects of market segments may play a far more significant role in defining and segmenting the market place than is currently considered in the marketing literature.

The implicit aspects of segmentation are important for two reasons. Firstly, at an implementation level, conventional frameworks for understanding segmentation tend to ignore the capability of an organisation to implement a marketing strategy within a particular segment. Wind [4] provides a list of twelve key areas for future research, one of which is the

relationship between organisational structure and the success of implementing particular segmentation strategies. Seventeen years later this topic remains unexplored and researchers have tended to assume that the challenge in market segmentation is to find new analytic approaches to subdividing the market, rather than addressing the effective implementation of market segmentation. Secondly, there is the issue of market drift. If implicit issues are dominant in the definition and segmentation of markets, the organisation may be unable to recognise changes in the market place which may ultimately undermine their entire marketing strategy. This second factor is, in effect, a form of marketing myopia reflecting the phenomena which Levitt [32] observed more than thirty years ago.

A number of issues emanate from these conclusions. Firstly, there is a lack of research which attempts to understand how organisations actually arrive at and sustain particular market segments. Secondly, there are no established frameworks for understanding the differing ways in which organisations may divide up and respond to their market place. It is our view that these issues are substantive and provide an important gap in the current research on marketing management. It is the purpose of this study to provide a contribution toward resolving these important questions. The lack of research is, partly, a reflection on the lack of viable frameworks and theories to understand how organisations may actually view their market place. By assessing a number of organisations on the basis of the explicit/implicit construct suggested by Piercy & Morgan [31], it is intended to create a series of archetypes which represent differing approaches and emphasis in segmenting the market place. It is intended that the creation of these archetypes will extend and clarify the discussion as to how organisations actually relate to their target markets and the potential implications of these differing positions.

A Case Study Approach

In order to develop a clearer picture as to how differing approaches to explicit and implicit segmentation may appear in organisations, a case study approach is adopted. It should be stressed that the role of case studies in this paper, is not empirical but illustrative. It is intended to clarify some of the ideas which have been raised in conceptual terms within the marketing literature.

This study describes a series of marketing based projects undertaken by the authors with a series of large organisations. The process followed is to record a series of observations or commentaries on particular organisational situations. In all cases, the researchers are involved over a number of years in development programmes and in consultancy in each of the organisations cited here. The sample frame is, therefore, driven by convenience and opportunity in order to provide the necessary insights from both primary sources and published information. These data are then brought together to provide an account of the organisational approach to segmentation. These interpretations are necessarily subjective and are designed to provide the clarity of an organisational context when considering approaches to segmentation. The data presented are anecdotal and brought together in a loose, but considered framework. The purpose of the framework being to distil the key elements which differentiate the way in which these organisations relate to their market segments. The result of these groupings is to suggest four particular archetypes representing how organisations segment their markets. These archetypes are exemplified with four actual organisations.

The International Airline

Many commentators agree that the major international airlines of today have achieved their current size primarily through one of the following three routes:

1. The sheer size and wealth of their home market, e.g. United Airlines.

2. Dogged determination by their home country to have a major carrier operating in the industry, e.g. Singapore Airlines.
3. They are the national airline of a former colonial power, e.g. British Airways.

However, regardless of their country of origin these airlines have all, on the whole, segmented their global market on the basis of geographic territories.

Before the development of products and brands in British Airways, the airline's marketing was driven by powerful territorial line managers. Country Managers reported to Regional Managers who, in turn, reported through their Route General Managers based at the company's headquarters at Heathrow Airport in London. The only exception was the 'Country Manager' for the UK who, simply because of the size of revenue generated in the UK, was equivalent in status to a Route General Manager. These individuals were responsible for generating the bulk of the airline's revenue, other revenue coming from the sale of in-house tour operations and third party activities.

'Marketing' could be found on individual office doors in Route head offices, regional offices and in many of the country offices, and the Route General Managers, along with the General Manager UK Sales, reported to a marketing director. The focus of marketing was territorial, and although the airline discussed its markets in terms of 'Business', 'Leisure' and 'Visiting Friends and Relatives' (VFR), even, at times, having campaigns focused into these travel sectors, marketing expenditure budgets were set by territory and were often judged in terms of the revenue generated by that territory. Revenue performance for the Route General Managers was, however, judged by both territory and by route, with route revenue coming from all over the world. A prime function for the routes was, therefore, the allocation of seats and cargo space to the different territorial markets around the world. Revenue per seat was, however, the major determinant by which a territory was given capacity to sell on any flight, though, in some instances, it was accepted that a minimum number of seats or amount of cargo space had to be made available for sale in certain territories in order to retain a 'presence' in that area. Obtaining such capacity was, however particularly difficult on services

operated by a Route Division other than the one in which a Territory Manager was geographically located, an exception being a situation where the Territory Manager had capacity which the Route Manager wanted, which could then be used for leverage in negotiations.

With an aircraft fleet and cabin crew traversing all geographical boundaries, product design was primarily a corporate task and was kept fairly simple by looking at the world in terms of First Class travel and Economy class travel. Schedules were rarely designed around customer requirements and were governed by:

1. The drive to keep aircraft in the air for as much time as possible, as this was when they were earning revenue.
2. Night time restrictions at airports.
3. Agreements between governments and airlines themselves.

Tweaking of the in-flight offer was, however, available to the Route offices. They could request menus to suit the palates of the geographical areas the aircraft flew through, and they could employ extra cabin crew members from their overseas territories to bring a 'local flavour' to their services for the indigenous traveller. Essentially, however, the company was sales orientated, the emphasis being to fill capacity and thereby requiring seats to be sold. Customers were those who happened to sit in the seats. There was no strategic perspective as to how particular groups of customers should be managed.

The Chemical Company

In 1917, the British Government bought a site in Billingham on the north bank of the River Tees for a factory to make synthetic ammonia, 'Synthonia', as a first stage for producing the chemicals for munitions. After the war, in 1919, Brunner Mond and Company took over the site to make fertilisers from ammonia using the same process as originally intended in the Government plan.

It was not until 1923 that the first ammonia plant started production and by the following year the first nitrogen product, Sulphate of Ammonia, was manufactured. This was followed five years later by another nitrogen fertiliser product, 'Nitro Chalk', which was particularly suited to grassland. Nitrogen, however, is not the only element likely to be depleted in the soil on commercial farms. Phosphate and potash are two further important soil nutrients that need topping up on these farms, and by 1930 the company was producing 'complete' fertilisers containing nitrogen, phosphate and potash in a compound form. This extension of the product range suited the company, as it meant its nitrogen was being used in a greater number of products.

Usage of fertilisers tends to fall into three distinct product groups - straight nitrogen, nitrogen with phosphate and potash, and a third group consisting of just phosphate and potash. To ensure the company had a complete range, products containing phosphate and potash were also sold, primarily because it was believed that offering the full range pulled through sales of the separate product lines (later proved to be largely a myth). The principle focus of the business was, however, around the ammonia production technology. This was the most complex chemical process for the fertiliser business, and the company's greatest margin came from products containing the most nitrogen. The production of compounds was fairly simple in comparison (once the nitrogen had been produced) and was carried out in a separate plant on the site.

Given the origin of the business, the source of its margins and distinct manufacturing plants, it could only appear logical to structure the management of the business and its information flows around the three product lines. This is exactly what happened and the three product lines were represented in the marketing function by product managers. The product management teams not only liaised with the manufacturing plant on product specifications and production volumes, they also drove the promotional campaigns of the business and set the sales targets, though only for their products. This was perfectly acceptable, of course, because the market, on the whole, bought these three product types at different times of the year.

It was readily accepted in the company that, broadly speaking, the market was split between fertilisers for the growing of grass and fertilisers for the growing of arable crops. There were even products specifically manufactured for each of these two sectors, distinct services offered to each of them, and dedicated specialist advisers based at headquarters. Despite this, the thrust of the business was based around product lines, each of which eventually fell under the control of its own Business Team. Lying over this split was the sales force, divided, for management purposes, into geographical territories. Their sales targets were, as already mentioned, presented to them along product lines, and any sales support literature was similarly divided, as all the budgets were allocated along product lines. This organisational structure has been in place for over sixty years.

The Bank

Some years ago, the Customer Service Representative of one of the big five banks was being interviewed on the radio. The main area of discussion centred around opening times and the limited number of tellers on duty during the peak, lunch-time period. The reason given for the opening times was that the public forgot that the transactions which the bank undertook on their behalf took time, and if they were open to the public 9. a.m. to 5.30 p.m. during the week, never mind at weekends, the staff at the bank would probably need to work from 8. a.m. to 7. p.m.. The bank's public hours were the most it could offer when their staff worked 9. a.m. to 5.30 p.m., which seemed fair, of course, because these were the hours worked by most of their customers! With regard to the lunch-time queues, the reasons for this were equally straight-forward and reasonable. The bank's tellers also had to have lunch breaks!

These issues, rather than humbling the customer into acceptance, fuelled the growth of the building societies. 'Marketing' arrived in the financial world in a big way during the 1980s and attractive salaries and extra financial benefits attracted some of the best. They had found a gold mine waiting to be developed. Unlike many businesses, banks clearly know who their customers are. The switching costs for these customers is high when compared to other industries. This means that banks have traditionally enjoyed a high level of customer

retention. Here, therefore, was a great opportunity for developing financial products and selling the variety of services available from the bank into a known customer base. Here, also, was the opportunity to develop products suited to the different stages of life and progressively put them in front of the customer as they travelled through life's highway.

The large, in-house data bases could also be profiled by matching them up against externally held databases containing psychographic information. This would help in the better targeting of new product offers into the banks' own customer base, and enable the banks to specify target customer profiles from externally held lists when prospecting for new customers. Inevitably complex segmentation structures were devised and numerous new products developed, and the banks became portrayed more as centres for financial services.

However, the purpose of these segments was to find ways of selling internally or competitively defined products, these segments being variable according to the different projects for which they were devised. The majority of banks still opened at the times the customers were in work and the tellers still went to lunch during the peak period. If anyone wanted to talk about any of the new services, the unmanned enquiry desk always had a welcome to them, once someone had responded to the bell!

The Burton Group

Despite its recent turbulent history, largely related to the tabloid-hitting headlines of a past chairman, excessive compensation packages for senior managers and the financial drain of an unfortunate foray into property development, the Burton Group is a prime example of an organisation that has structured itself around its chosen segments.

The different high street brands of the Group such as Evans, Top Shop, and Principles are targeted into specific segments and are not just fronts. Behind each lies a complete infrastructure with its own marketing group, buyers, financial controllers, administration and so on, all focused into the survival of the brand in its segment. Each brand is responsible for

its own survival, which is determined by the brand's ability to keep pace with the evolving needs of its target segment. Admittedly, some brands appear to be tiring, but this is due, in part, to the restricted capital investment programmes the company has had to live with, as well as 'time out' being called on the segment. At the same time, however, their financial squeeze has not stopped the introduction of new brands to exploit the opportunities available in newly emerging segments, such as, for example 'is', launched in 1992.

Discussion

These cases are presented as illustrations of the potential alignment of the organisation to market segments. They are subjective accounts drawn from the researchers' contact with, and knowledge of these organisations. The purpose of presenting these mini-cases is to determine how they may clarify and extend our understanding of segmentation processes. In The International Airline, segmentation is driven by internal structures and processes. The power of the territory manager defines the way the organisation aligns itself to the market. This perspective does not begin with the customer, but with the structure of the sales organisation. This view of the market is also limited to particular functions and activities within the organisation and does not appear to operate across functions or at a strategic level.

In contrast, The Chemical Company represents an organisation whose entire structure and mode of operation represents a particular view of the market. This view is clearly process or product led and is not a customer driven view of the market place. In contrast to The International Airline it is a view which is embedded throughout the organisation.

The Bank presents a different type of situation. Here, the organisation has a customer based approach as to how it segments the market place. This view is, however, restricted to the functional marketing activities of the organisation. It does not permeate the way the organisation, as a whole, sees the external world and does not appear to influence many of the processes and procedures which do impact on the customer.

The Burton Group provides an organisational view which is centred on customer groups. This form of segmentation is deeply embedded in the operations and perspective of the employees as it forms the basis for the organisational structure.

All of the above examples reflect differing approaches as to how an organisation may align itself to the segments within the market place. The purpose of the case studies has been to illustrate potential divergence which differentiate these examples. The constructs which explain this divergence may provide further insights into the process aspects of how different organisations may segment their markets. It is suggested that there are two principle dimensions which differentiate between these examples.

Customer Driven

The examples of The Bank and the Burton Group are both approaches which are clearly centred on the customer. In these situations, a market and its segments are clearly customer groups as defined by Kotler [2] and others. In the case of The Bank, the customer focus is limited to particular initiatives which are task and function specific. In the case of The Burton Group, customer focus permeates and defines the separate business units. In contrast, the approach taken by The International Airline and The Chemical Company is not centred on the customer. This is not to imply that at some point in time they were not customer driven. The issue is that these approaches for defining and segmenting the market no longer begin with the customer. They have become internalised and are thereby driven by internal factors such as sales force territories, budgets and organisational structures. These are implicit views of the market place which have become part of the organisation's culture and perspective on its environment.

Organisational Integration

The International Airline and The Bank both exhibit low levels of organisational integration. The way in which the market is segmented is the domain of particular groups, or functions within the organisation. In these situations, segmentation is very much an operational, as opposed to a strategic process. It is concerned with a particular media campaign or for establishing particular sales objectives. Outside these particular groups, these segments are not understood or recognised. In contrast, The Chemical Company and The Burton Group both illustrate a high level of organisational integration. In these situations, segmentation is not just a way of targeting potential customers, but an intrinsic part of the structure and culture of the organisation. All parts of the organisation recognise that the market is segmented in this particular way, these segments providing a strategic basis for how the organisation understands its interaction with the business environment.

Classifying Market Segmentation in Organisations

These two constructs for considering the organisational aspects of segmentation; customer driven and organisational integration, can be incorporated into a matrix (Figure 1). This matrix provides a basis for discriminating between the segmentation process in the organisations illustrated in the four case studies.

Insert Figure 1 about here

Figure 1: Market Segmentation Archetypes

The first cell, *Sales Based Segmentation*, describes an organisational archetype where the market is segmented on the basis of sales areas or structures, which do not necessarily reflect clusters of particular customer characteristics or needs. In addition, these approaches are relatively superficial, and they are not embedded in the way the organisation, as a whole, is structured, or the way it operates. This archetype represents segmentation which is driven by,

and is largely exclusive to, the sales operations of an organisation. The International Airline is taken as an exemplar of this particular archetype. Here, the approach to segmentation operates at a territory level where some adjustment of the offer is permitted (use of local menus and cabin staff). However, this view of the market is not embedded in the way the organisation is driven as a whole. The organisational priorities are represented by the need to maximise the capacity of the fleet of aircraft and the fact that this capacity resource is allocated through the management of routes rather than particular territories. The International Airline, therefore, provides an example of an approach to segmentation which is internally (sales territories), as opposed to being externally (customer) driven and which does not reflect the priorities and focus of the organisation as a whole.

The second cell, *Structural Segmentation*, represents a further archetype where there is little emphasis on segments as groups of customers. Segments are defined by sales areas or structures. However, in contrast to the sales based archetype, this approach to the market is deeply embedded in the organisation as a whole. The Chemical Company provides an exemplar of this situation. The organisation described in this case uses product management teams, who are responsible for marketing activity at both the strategic and operational levels. These groups are also working with sales territories which are allocated on a geographic basis. At this level, therefore, the segmentation is not explicitly customer driven, although the sales territories may reflect differing patterns of agriculture, and the different product types may be applied at different times of the year. However, the product divisions which are fronted by the product management teams are embedded in the structure and nature of the organisation. The requirements of a complex and capital intensive process (producing nitrogen from ammonia) has meant that the product divisions which represent differing aspects of this process are highly integrated into the fabric of the organisation. This cell, therefore, presents an approach which is both production and sales driven and which is embedded in all the structures and processes of the organisation.

The third cell, *Bolt on Segmentation*, presents an archetype where a high level of customer focus is brought into the defining of market segments. In this case, the organisation applies customer data which is often available within the organisation, such as location, purchase

patterns and product preference. These data are combined with external classification systems such as ACORN or MOSAIC which align the customer base to particular socio-economic profiles. In contrast to the previous archetypes, this segmentation approach is driven by the information held on the customer base as opposed to the structure of sales operations. However, this archetype is close to *Sales Based Segmentation*, as it is limited to a number of functional areas within the organisation and is not integrated into the organisation as a whole. In this case, the purpose of the segmentation exercise is to assist in selling existing products and targeting advertising campaigns, which are essentially operational, as opposed to strategic issues. In this archetype the segmentation framework does not guide new product development, nor does it affect the core processes and power base of the business. The Bank is presented as an exemplar of this particular archetype. In this example, a high level of customer information already exists within the business. In many situations this is applied simply to target mail shots or other promotions, aimed at selling existing products. These segments do not provide a focus for redefining the business processes, a basis for new service concepts or the removal of existing products. A customer focus exists, but this does not permeate the whole operation of the business, as it is not considered at a strategic level.

The fourth cell, *Strategic Segmentation*, combines both a customer focus and a high level of organisational integration. In this cell, the organisation is able to apply customer based data in order to develop a set of defined segments. In contrast to the *Bolt on Segmentation* approach, the organisation has integrated these segments across the key functional activities. They provide a basis, not only for the promotional activity, but also for strategic decision making and internal marketing; in the case of the latter, this clarity of particular market segments provide a powerful basis for bringing the customer into the organisation [32]. They also provide a focus for the entire processes and operations of the organisation on these market segments. The Burton Group is suggested as an exemplar for this cell. The Burton Group have a set of retailing concepts which are driven by clearly defined market segments. These segments have been defined around customer groups, but are also deeply embedded in the organisation through their own operations and processes, which are tailored to the needs

of their respective segments. In this case, all those in the organisation can picture the target segment and have a basic appreciation of how the segment can be most effectively served.

Implications for the Research Agenda

The purpose of this study has been to introduce a series of concrete examples into the largely conceptual discussion on market segmentation. In doing so, a number of questions are raised as to the status and implications of the framework shown in Figure 1. Firstly, there is an implication that all organisations should aim to be in the *Strategic Segmentation* cell. It must surely be better to be more customer focused and organisationally committed to a particular form of segmentation? Our position is that this framework is a working hypothesis which is exploratory and descriptive, rather than diagnostic and prescriptive. It should not, therefore, be assumed that certain cells are more desirable than others, in spite of what subsequently happened to the organisations in question. The airline concerned made massive losses for a sustained period and was eventually acquired. The international chemical company sustained such crippling losses during the late 1980s that it, too, was forced to close. Likewise, banks made substantial losses. Nonetheless, the aim of this framework is merely to provide a basis for beginning to assess segmentation, not only as an external clustering of customers, but also in terms of the strategic and internal implications for an organisation.

The first section of this paper raised a number of issues concerning the existing published work on segmentation. The dominant perspective in segmentation research has been to extend and develop the work of the analysis of market segments, the implication being that more complex analysis will provide more effective segmentation. This paper has clarified, through four organisational archetypes, the potential for integrating organisational characteristics as a component part of segment definition. This extends the strategic work of Abell [16] and Day [17] to consider segmentation in a similar light to market definition. It also explicitly raises the question of the link between organisational structure and the way the organisation relates to the market place. These issues generate research questions relating to the responsiveness and commitment of organisations relating to specific segments of the market.

The contribution of these archetypes is to emphasise two central dimensions in the segmentation process: the level of customer focus and the level of organisational integration. This redirects attention away from the need to establish ever-more complex forms of analysis to a consideration of the linkage between customer groups and organisational capabilities. The role of the archetypes has been to clarify the potential variation in the linkage between the organisational and the market place. This linkage is central to many of the popular themes in the marketing literature as identified by Piercy [32]. Themes such as relationship marketing, pursuit of excellence and market-driven processes, are all concerned with managing the linkage between the organisation and market segments.

The research agenda which emerges from the discussion is one which embraces the development of a social sciences approach to segmentation. The linkage between segments served and organisational configuration and sense making is the basis for this agenda. It is suggested that key elements of such an agenda could be identified as follows:-

- Market segmentation as a function of organisational configuration.
The link between strategy and structure has been well considered in the literature. The implications of the structural segmentation archetype is that the link between segments and structure may also be an insightful perspective in explaining performance and adaption to the market.
- Market segmentation as a function of organisational culture and 'mindset'.
The idea that markets and segments are 'enacted' by the organisation has already been raised. But how do cultures sustain segments and thereby potentially create inertia to change.
- Market segmentation as a function of industry culture and 'mindset'.
This study has considered one case in four, quite distinct industries. This question concerns whether there is an industry mindset which creates segments. Perhaps this is determined by the way in which industry data is gathered rather than identifying homogeneous groups of customer needs. What is the impact of the organisation who redefines the segments? For example, British Airways segmenting business travel in the 1980s.

Intertwined with these agendas, of course, is the ubiquitous issue of their relationship with organisational success and there remains the possibility of exploring the proposed archetypes in the context of universally-recognised excellent companies [33].

These key areas suggest that segmentation research needs (as in the case here) to be exploratory rather than prescriptive. Many questions remain from the consideration of these archetypes which need to be explored empirically in order to clarify the nature of the linkage between the organisation and market segments.

The role of industry characteristics and life cycle stages may have major implications for particular approaches to segmentation. The lack of a customer focus in the examples of the Airline and the Chemical Company is not necessarily an artefact of inept management, but may be driven by the capital intensity of the processes and operations, as a required priority at a particular stage in the industry life cycle. The role of these archetypes may, therefore, be specific to particular industries where relative positions can be assessed in the context of industry structure and stage in the life cycle.

A further issue is that the nature of environmental dynamics and organisational change may re-focus this analysis to movement around the framework, as opposed to the consideration of static positions. Market segments are not clearly defined and fixed entities. The automobile market was traditionally segmented on the basis of engine size, which was considered to approximate to particular customer groups. This is no longer the case. Many manufacturers are now taking a concept-based approach to new product development in order to meet the needs of more specific segments. A new model, whilst maintaining the same mechanical layout, may have many different body styles to target differing segments of the market.

Dibb & Simkin [15] refer to the problems of inertia in trying to change an established and comfortable view of segmentation to one which is more customer focused in the industrial equipment after-market. The ability of an organisation to move through the various archetypes may be central to their reconfiguration in response to environmental change. One potential problem for the *Strategic Segmentation* and *Structural Segmentation* archetypes may be the difficulty of changing embedded organisations and systems quickly enough to match new developments in customer demand. In contrast, this may be a strength in the other

archetypes, where a superficial and potentially temporary approach might permit quicker organisational change in response to changes in the market place.

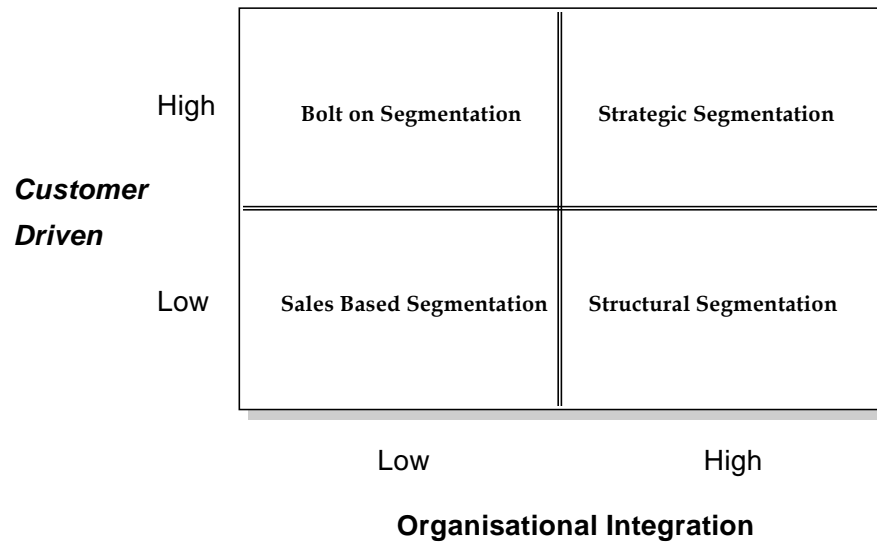
This study has attempted to refocus segmentation theory to account for the implicit and organisational aspects of market segmentation. Piercy & Morgan [30] suggest that the current theories of segmentation (if they are indeed theories) need to be developed into a broad research agenda which encompasses the wider area of organisation sense making. This paper is intended to provide a contribution to this re-orientation. By acknowledging the inherently internal realities concerning the processes of how organisations segment their markets, it is hoped that researchers can begin to close the gap between theory and practice in this fundamental area of marketing.

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Figure 1: Market Segmentation Archetypes

CHANGES REQUESTED BY REVIEWERS (FEBRUARY, 1995)

1. Punctuation errors have been addressed including last sentence of first paragraph.
2. The reference to bank customers staying from their first pay cheque until pension has been removed. It has been replaced with a reference to the higher relative retention levels of banking (Buchanan and Gillies, 1990).
3. We have strengthened the conceptual discussion through expanding the key elements in the research agenda at the end of the paper (pages 18 and 19).